UNION GAS

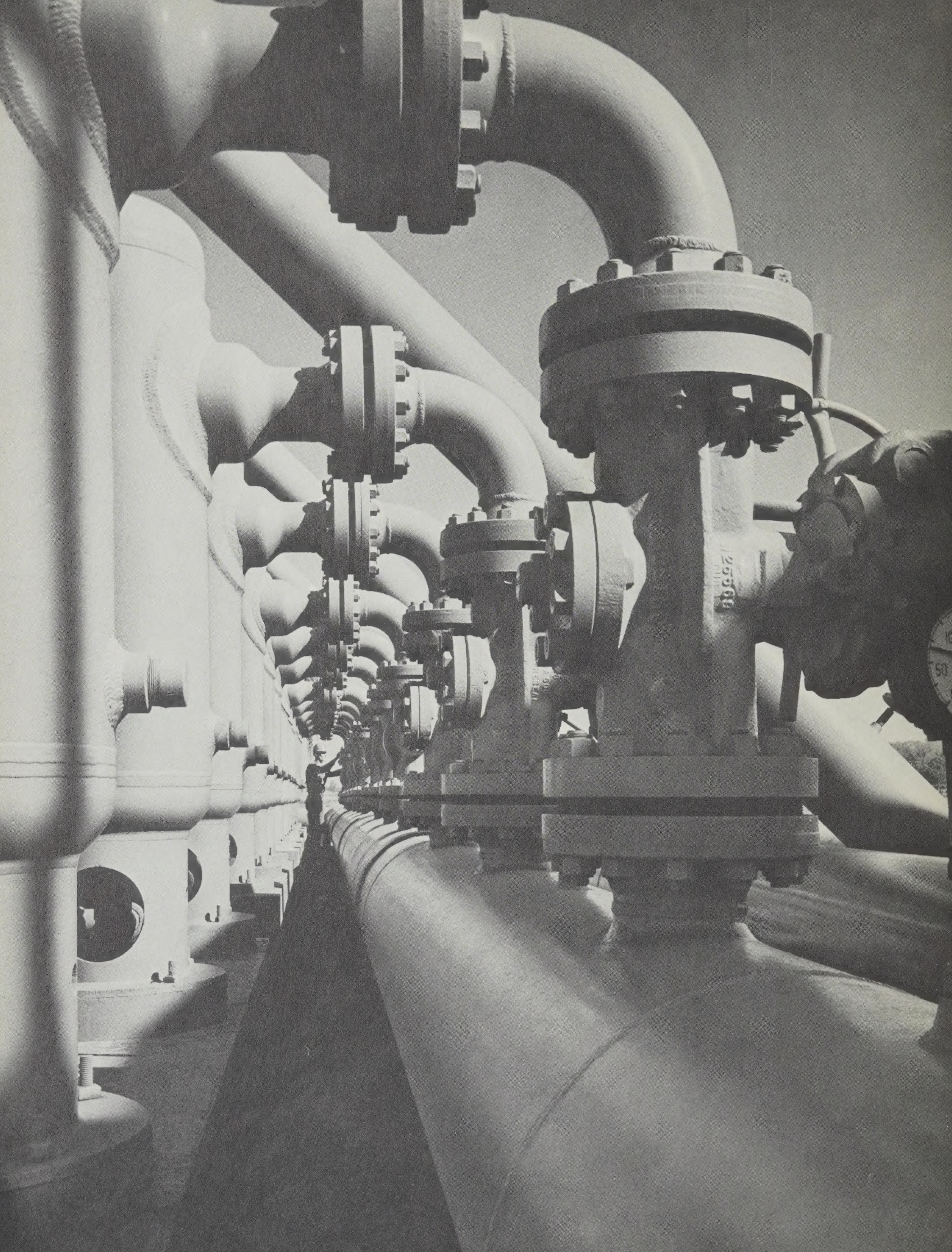
ANNUAL REPORT

for the fiscal year ended March 31

1967

UNION GAS COMPANY OF CANADA, LIMITED

1867 1967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UNION GAS COMPANY OF CANADA, LIMITED
and its subsidiaries

CONSOLIDATED COMPARATIVE HIGHLIGHTS

Fiscal years ended March 31

	1967	1966	1965
Net profit for the year	$ 8,832,952	$ 7,665,602	$ 6,564,928
Dividends paid on preference shares	$ 1,079,342	$ 1,087,500	$ 948,801
Earnings applicable to common shares	$ 7,753,610	$ 6,578,102	$ 5,616,127
Earnings per common share outstanding at year end*	51.8¢	44.0¢	37.6¢
Dividends declared on common shares:			
Total	$ 4,037,838	$ 3,489,490	$ 3,047,639
Per share*	27.0¢	23.3¢	20.8¢
Natural gas sales †M.C.F.	85,764,327	72,116,044	61,833,091
Gross revenue from gas sales	$ 77,404,076	$ 66,972,790	$ 59,037,639
Total customers at year end	292,651	282,592	272,197
Average gas use per customer †M.C.F.:			
Residential	130.8	124.1	120.0
Commercial	532.4	462.7	415.8
Maximum day send-out †M.C.F.	808,477	677,355	628,500
Gross Property Account at year end	$209,852,061	$198,552,021	$181,513,021

† M.C.F. means Thousand Cubic Feet.
* After allowing for the subdivision of the shares on a 3 for 1 basis during the 1967 fiscal year.

The Company and its subsidiaries are engaged in purchasing, producing, storing, transmitting and distributing natural gas in numerous municipalities in southwestern Ontario.

SUBSIDIARY COMPANIES

United Fuel Investments, Limited: (in liquidation)

A holding company owning all of the outstanding shares of United Gas Limited, which is the distributor of natural gas in the city of Hamilton, the towns of Oakville, Burlington, Dundas, Milton, Georgetown and Acton and areas adjacent to these municipalities.

The outstanding capital stock of United Fuel Investments, Limited consists of 90,000 common shares of no par value, 89,907 of which shares are owned by Union Gas Company of Canada, Limited.

Dawn compressor station facilities include this battery of separators which extracts liquids from the gas before it is injected into storage. Such liquids must be removed; otherwise, they could impede the free flow of the gas through the porous rock of the underground storage formations.

BOARD OF DIRECTORS

Sidney M. Blair
Vice-Chairman of the Board, Canadian Bechtel Limited, Toronto.

W. L. Duffield
Chairman, London District Advisory Committee, Union Gas Company of Canada, Limited, London.

C. Malim Harding, O.B.E.
President, Harding Carpets Limited, Brantford.

F. W. P. Jones
Professor, School of Business Administration, University of Western Ontario, London.

H. B. Keenleyside, C.B.E.
Company Director, Toronto.

R. L. O'Brian
Investment Banker, Buffalo, N.Y.

F. R. Palin, F.C.A.
President and General Manager, Union Gas Company of Canada, Limited, Chatham.

David P. Rogers
Chairman of the Board, Union Gas Company of Canada, Limited, Toronto.

Rhys M. Sale, LL.D., D.Sc.
President, McGraw-Edison (Canada) Limited, Toronto.

Laurence M. Savage
Company Director, Galt.

W. Dent Smith, LL.D.
President, Eastern & Chartered Trust Company, Toronto.

Ron W. Todgham
President, Chrysler Canada Limited, Windsor.

T. Weir, M.C., E.D., F.C.A.
Retired, formerly Vice-President and General Manager, Union Gas Company of Canada, Limited, Chatham.

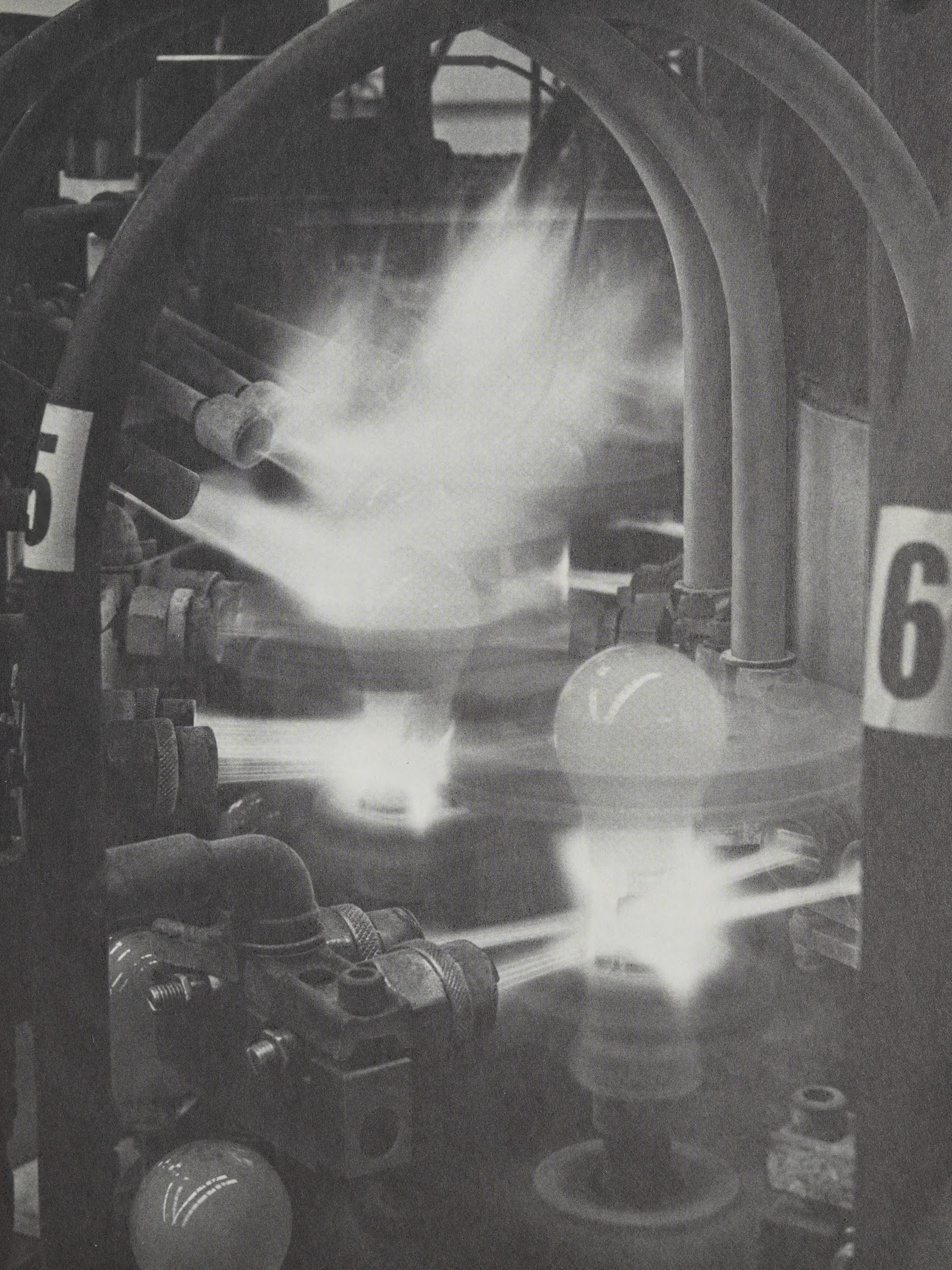
PRINCIPAL OFFICERS

David P. Rogers, *Chairman of the Board*
R. L. O'Brian, *Vice-Chairman of the Board*
F. R. Palin, F.C.A., *President and General Manager*
G. H. D. Martin, P.ENG., *Vice-President, Operations*
G. M. Douglas, *Vice-President, Sales*
W. G. Stewart, C.A., *Treasurer*
J. W. S. McOuat, *Secretary*
G. E. Miller, C.A., *Comptroller*

LONDON DISTRICT ADVISORY COMMITTEE

W. L. Duffield, *Chairman*
J. Innes Carling, O.B.E.
P. A. DuMoulin
H. K. Ingram, V.D.
J. H. Stevens

Natural gas is widely identified with outdoor patio and lawn lighting. Not nearly so well known, however, is the role of gas in the manufacture of electric light bulbs. As shown here, jets of gas flame are used to form an air-tight seal around the base of each bulb.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PHOTOGRAPHERS
FILMS
CAMERAS
fashion centre
SALE

We are pleased to report that the fiscal year ended March 31, 1967 was another successful period for your Company with volume and value of sales, net earnings and dividends declared reaching new high levels. This reflects the results of the continued pattern of growth experienced over the past ten years during which period increasingly larger volumes of gas became available to the Company.

Consolidated net profit for the fiscal year ended March 31, 1967 was $8,832,952. After payment of dividends on preference shares net profit was $7,753,610, equivalent to 51.8¢ per common share outstanding at year end after allowing for the subdivision of the common shares during the year on a three for one basis. For the prior fiscal year, after payment of preference share dividends, net profit applicable to the common shares was $6,578,102, equivalent to 44.0¢ per common share on the subdivided basis.

For the fiscal year ended March 31, 1967 the Company continued the practice of claiming for income tax purposes the maximum depreciation allowable by the taxing authorities, while at the same time providing for depreciation in the accounts at the lesser amount developed by applying the rates for depreciation recommended by the Company's consulting engineers. As a result, income taxes payable currently are $1,840,000 less than the amount charged in the consolidated statement of income and this amount has been included in the balance sheet in deferred income taxes. Had your Company adopted the alternate practice considering this amount as a reduction in income taxes charged against operations, earnings per share for the fiscal year ended March 31, 1967 would have been recorded at 64.1¢ and for the prior fiscal year at 58.2¢.

Due to the somewhat colder weather prevailing in the Company's service areas during the heating seasons, the addition of 10,059 customers to the lines during the year, strenuous marketing efforts and continued increase in industrial activity, the total volume of gas sales for the 1967 fiscal year of 85.7 billion cubic feet was 13.6 billion cubic feet, or 18.9%, greater than the volume sold in the 1966 fiscal year. Revenues of $77.4 million from such sales were $10.4 million, or 15.6%, more than for the prior year.

Keen competition from suppliers of other forms of energy directly affect the extent to which the volume of gas sales may be expanded. Management's awareness that such competition exists and is becoming more challenging, the research being carried out by the gas industry directly and through its trade associations to develop new and improved gas burning equipment and promotional policies to acquaint our customers of the wider use of gas wherever heat is required, all lend assurance for continued expansion of the gas sales volumes commensurate with the available supply.

The increasing use of gas as a raw material rather than a source of energy also strengthens our confidence that the demand for natural gas will continue to expand. For example, one of the largest natural gas sales contracts ever completed in eastern Canada was entered into recently by the Company to supply a new fertilizer plant erected near the city of Sarnia, using natural gas as a raw material in the manufacture of its product.

The current concern over air pollution is also resulting in enquiries from many industrial plants regarding the availability of, and benefits to be derived from the use of, natural gas as a means of alleviating the air pollution problem. Clean-burning natural gas is a highly favourable fuel relative to air pollution abatement as it is free of the noxious elements emitted from some other fuels.

Increases in labour and material costs, taxes and other expenses of conducting the Company's operations, due in part to continued expansion of plant facilities, receive constant study by management. While the Company's over-all costs of doing business have increased as the volume of business has grown, it is gratifying that the percentage of consolidated net profit to operating revenue and other income has remained at a reasonable and fairly constant level over the past few years. Efforts will be continued towards minimizing increases in costs while at the same time maintaining efficient service at fair and competitive rates of charges to all customers.

On page 1 of this report are shown Consolidated Comparative Highlights of certain items of interest and importance on operations for the three fiscal years to March 31, 1967. The extensive and steady growth of the Company over the past ten years is portrayed in the Operating Charts and the Financial and Operating Statistics beginning at page 26. A System Map appears on the inside back cover.

Downtown Windsor's newest office building and sidewalk-level shopping complex, completed late in 1966, features hydronic heating provided by two natural gas boilers installed in the penthouse atop the 10-story wing. These boilers also supply the hot water requirements of the offices and shops.

The number of enquiries being received from present and potential customers for additional volumes of gas, particularly for industrial use, indicates that expansion of the Company's facilities and operations will continue, provided substantial additional volumes of gas can be made available in southwestern Ontario. It was anticipated that by this time large volumes of gas would have been made available to the Company under the terms of a contract entered into with Trans-Canada Pipe Lines Limited, dependent upon completion of pipeline facilities by Trans-Canada and its associate Great Lakes Gas Transmission Company to transmit Canadian gas from western Canada to the east through facilities constructed in the United States. However, delay in obtaining the necessary governmental authorizations to permit the installation and operation of the required facilities has prevented commencement of construction. While the requisite permits have now been issued by the Canadian authorities and hearings on the matter before the Federal Power Commission of the United States have been completed, the decision of that Commission has not as yet been issued.

We are of the opinion that deliveries of gas from western Canada to the east through the facilities proposed to be constructed in the United States is the most economic way to make additional volumes of Canadian gas available to eastern Canada. Union Gas accordingly has actively assisted Trans-Canada and Great Lakes in their endeavours to get on with construction of the required facilities.

Union Gas, during the five month period ended May 1, 1967, and with the co-operation of Panhandle Eastern Pipe Line Company, imported a further 8 billion cubic feet of gas into eastern Canada from the United States. This has been a very welcome addition to the Ontario gas supply. The Company continues to study and assess the possibilities of obtaining additional volumes of gas from any available source.

Property Account expenditures during the fiscal year commenced April 1, 1967 are estimated to total $20.5 million. The major single project will be the installation, at a cost of approximately $7.6 million, of a further 37 miles of 34 inch diameter high pressure pipeline as the third step in the program to install an additional main transmission line extending from the Dawn compressor station in Lambton county to the point of connection with the facilities of Trans-Canada at Oakville, a distance of 142 miles. The installation of this third section of pipeline will complete the line from Dawn to a point near the city of Hamilton, leaving a balance of 18.5 miles to be constructed at a future date. Other additions to the Company's facilities for such items as line extensions, service laterals, and compression, measuring and regulating equipment required to meet the increasing demand for natural gas, are estimated to cost some $9 million. The balance of the estimated expenditures will be applied to replacements, renewals and up-grading of present plant facilities.

On May 18, 1967, the Board of Directors declared a quarterly dividend of 8¢ per share on the issued and outstanding common shares of the Company, payable August 1, 1967 to shareholders of record July 7, 1967. This is equivalent to an annual dividend rate of 32¢ per share as compared with dividends at the annual rate of 27¢ per share in effect since the dividend payment of August 1, 1966.

Your Directors sincerely hope that you will be able to attend the Annual Meeting of Shareholders to be held in Chatham, Ontario, on Tuesday, June 20, 1967 to hear and take part in discussions on the affairs and operations of the Company. If you are unable to be present at the meeting in person, we request that you complete promptly the form of proxy recently mailed to you and return it in the envelope provided, in order that the common shares of this Company registered in your name may be voted at the meeting.

Sincerely,

David P. Rogers

Chairman of the Board

F. R. Palin

President and General Manager

Chatham, Ontario, May 18, 1967.

The Company's new head office building at Chatham was officially opened June 6, 1966, with ceremonies featuring a symbolic ribbon-cutting by the Hon. John P. Robarts, Prime Minister of Ontario, and Company Board Chairman David P. Rogers. Also participating were: the Hon. W. Darcy McKeough, recently appointed Minister without Portfolio in the Ontario Government; Company President and General Manager F. R. Palin; and the Hon. John R. Simonett, Minister of Energy and Resources Management for Ontario. A public open house, conducted later in the same month, attracted a crowd of more than 4,000 visitors, primarily from the Chatham area.


UNION GAS COMPANY OF CANADA
HEAD OFFICE

IN REVIEW
the fiscal year ended March 31, 1967

OPERATING RESULTS

The results of the operations of Union Gas Company of Canada, Limited consolidated with those of its subsidiaries, United Fuel Investments, Limited and United Gas Limited, for the fiscal year ended March 31, 1967, as compared with the previous fiscal year, were as follows:

	Fiscal year ended March 31 1967	1966	Increase or decrease (–) 1967 over 1966
Operating revenue and other income:			
Gross revenue from gas sales	$77,404,076	$66,972,790	$10,431,286
Other operating and interest income	6,362,527	5,446,280	916,247
	83,766,603	72,419,070	11,347,533
Operating expenses and interest:			
Cost of gas sent out	34,035,397	28,480,582	5,554,815
Other operating and maintenance expenses	18,218,833	16,593,357	1,625,476
Taxes other than income taxes	2,315,542	1,999,671	315,871
Depreciation	5,707,571	5,215,334	492,237
Amortization of natural gas conversion costs	103,200	103,200	—
Interest on bonds, debentures and bank loans and other funded debt charges	5,586,034	4,652,300	933,734
	65,966,577	57,044,444	8,922,133
Profit before income taxes	17,800,026	15,374,626	2,425,400
Income taxes	8,966,000	7,708,000	1,258,000
Net profit before minority interest	8,834,026	7,666,626	1,167,400
Deduct:			
Interest of minority shareholders on a pro rata basis in net profit of United Fuel Investments, Limited	1,074	1,024	50
Consolidated net profit for the year	8,832,952	7,665,602	1,167,350
Dividends paid on preference shares	1,079,342	1,087,500	(–)8,158
Earnings applicable to common shares	$ 7,753,610	$ 6,578,102	$ 1,175,508
Earnings per common share outstanding at year end	51.8¢	44.0¢	7.8¢
Common share dividends declared:			
Total amount	$ 4,037,838	$ 3,489,490	$ 548,348
Per share	27.0¢	23.3¢	3.7¢

More and more of southwestern Ontario's modern homeowners are choosing romantic natural gas lighting for their patios and entrance areas. This growing popularity is evident in the fact that in some communities gas lamps are being used to light entire residential streets, such as Brantford's Ellenson Drive shown here.

GAS SALES

Sales volumes for the 1967 fiscal year totalled 85.7 billion cubic feet, an increase of 13.6 billion cubic feet, or 18.9%, over the previous year. Gross revenues from these sales were $77,404,076, an improvement of $10,431,286, or 15.6%, as compared with the 1966 fiscal year. At March 31, 1967, 292,651 customers were being served by the Company, 10,059 more than a year ago.

Gas consumption per residential customer averaged 130.8 M.C.F., a gain of 6.7 M.C.F. over the average for the prior year. Colder weather experienced during the heating seasons of the past fiscal year, when temperatures averaged 4% lower than those in the 1966 fiscal period, together with an increase in the number of residential customers using gas for space heating purposes, contributed to this improvement.

The average consumption per commercial customer for the past year amounted to 532.4 M.C.F., an increase of 69.7 M.C.F. per customer. This improvement resulted from the growing preference for the use of natural gas in apartment buildings, hospitals, office buildings, universities, schools and various agricultural applications, and also reflected the effects of the colder weather.

The volume of gas sales to industry, which comprised 41.1% of the total gas sales for the 1967 fiscal year, increased 29.8% over the prior year, a result of the continuing expansion in virtually all segments of industry in southwestern Ontario. Larger volumes of gas were sold to manufacturers of fertilizers, steel, household appliances, motor vehicles, agricultural machinery, chemicals, building materials, glass and ceramics and to processors of food and agricultural products.

The accompanying table shows gas sales volume and gross revenue by class of customer and the percentage improvement experienced by each class.

GAS SALES VOLUME AND GROSS REVENUE

	Volume in thousands of cubic feet			Revenue in dollars		
	Year to March 31, 1967	% of total	% over previous year	Year to March 31, 1967	% of total	% over previous year
Class of customers						
Residential	33,455,696	39.0	9.3	$38,126,203	49.3	8.9
Commercial	14,714,311	17.1	19.4	14,813,126	19.1	18.2
Industrial	35,220,133	41.1	29.8	23,061,495	29.8	26.5
Other gas companies for re-sale	2,374,187	2.8	15.6	1,403,252	1.8	16.8
	85,764,327	100.0	18.9	$77,404,076	100.0	15.6

MARKETING

The sales promotion campaigns of the Company continue to be directed towards combating the intensive sales programs of suppliers of other sources of energy. Marketing activities highlight the convenience, cleanliness, dependability and economy of natural gas. During the past year some 13,000 residential and commercial customers installed gas central heating systems, indicating the effectiveness of these programs.

The appliance dealers, installers and home builders operating in the Company's franchise areas receive encouragement and assistance from the Company to promote the use of natural gas. Advertising and marketing programs introduced by the Company are designed to include and benefit these independent operators.

The use of natural gas for house heating, air conditioning, water heating, cooking, clothes drying, incinerating, out-

A seminar for all management personnel, conducted early in 1967, covered such subjects as: changes in marketing conditions; the need to control costs; the many applications of the computer; and the growing importance of communications within the organization.

The Company's newest office-showroom was completed at Galt, late in the 1966-67 fiscal year. Its 2,500-square-foot area accommodates appliance displays; administrative, sales and general offices; plus storage and employee meeting room facilities.


NATURAL GAS
OFFERS
The Most
FOR MODERN HOMEMAKERS

door lighting, barbecuing and pool heating, provides total comfort living in the modern home. Many of these uses were demonstrated in a special Home Service Department presentation conducted in auditoriums throughout the Company's territory and designed specifically for the teenager, the customer of the future.

Research projects are conducted by the industry directly and through its trade associations to develop new uses and improve existing applications for natural gas. In this regard, considerable interest is being shown in the selective energy system providing heating, air conditioning and lighting through gas equipment installed at the Company's new head office building in Chatham.

Several advantages are inherent in the use of natural gas equipment for many large commercial and industrial applications, including high efficiency of operation, low maintenance costs and flexibility of adaptation to changing requirements. Increased public attention is being directed to the detrimental effects of air and water pollution and Company specialists are available to demonstrate the part which natural gas can play in alleviating these problems. Not only are natural gas applications able to reduce the emission of pollutants in the air but they are also used to process waste materials prior to disposal.

OTHER OPERATING AND INTEREST INCOME

Increases in revenue from the transmission and storage of gas for other utilities, in rental income from rented gas equipment and in interest earned on appliance sales time payment contracts and mortgage loans extended to home buyers and builders, were the main factors in other operating and interest income of $6,362,527 being $916,247 more than for the previous fiscal year.

EXPENSES

Cost of gas sent out

The cost of gas sent to market in the fiscal year ended March 31, 1967 totalled $34,035,397, an increase of $5,554,815, or 19.5%, over the prior year. While the average cost per M.C.F. of gas sent out was slightly higher than for the prior year, the over-all increase in cost was due mainly to the larger volume of gas required to meet the greater demand.

Other operating and maintenance expenses

Other costs of operating and maintenance for the 1967 fiscal year totalled $18,218,833, up $1,625,476, as compared with the previous year. Higher labour costs, expanded benefits under employee welfare plans, greater sales promotion activities and additional costs attributable to expansion of facilities, were the main factors contributing to this increase.

Taxes other than income taxes

The Company is assessed for property taxes on all its fixed facilities, including underground pipelines, by the municipalities it serves. Higher mill rates levied by many municipalities and increases in assessments due to property additions resulted in taxes other than income taxes totalling $2,315,542 for the 1967 fiscal year, or $315,871 more than for the 1966 year.

Depreciation and amortization

The provision for depreciation of $5,707,571 for the fiscal year ended March 31, 1967 was up $492,237 over the previous year because of additions to Property Account. The bases used to establish the depreciation provision are the same as for the prior year and are in accordance with the recommendations of the Company's consulting engineers.

Natural gas conversion cost amortization charged to the 1967 fiscal year's operations amounted to $103,200, equal to the amount amortized in the prior year, leaving a balance of $64,733 to be written off in the fiscal year commenced April 1, 1967. These costs were incurred some ten years ago on the conversion of customers' appliances in the Hamilton area from manufactured to natural gas.

Income taxes

The provision for income taxes amounted to $8,966,000 for the fiscal year ended March 31, 1967, an increase of $1,258,000, due to higher earnings. Income taxes payable currently for the 1967 fiscal year are calculated to be $7,126,000, the reduction of $1,840,000 from the provision for income taxes being due to claiming capital cost allowances and other expenses for tax purposes in amounts greater than those charged in the accounts. This difference is applicable to those future years in which the amounts claimed for

The ability to maintain consistently high quality is often the key to success in a franchise operation—particularly one engaged in the preparation of specialty foods. Southwestern Ontario's largest fried chicken franchise achieves uniform excellence throughout its various outlets partly by specifying the use of specially-designed, gas-fired cookers.

Institutional buildings—hospitals, schools and churches, for example—constitute an important segment of the Company's commercial market. Typical is Hamilton's new Mountain Arena, where efficient natural gas is employed for both space heating and water heating.

tax purposes will be less than the depreciation and other expenses recorded in the accounts and is shown on the balance sheet, together with similar reductions for prior years' taxes, as "Deferred income taxes" in the amount of $15,553,000 as at March 31, 1967.

PROPERTY ACCOUNT

Expenditures on Property Account net of salvage were $12,823,698, as compared with $18,542,481 in the 1966 fiscal year. The major portion of the construction program was for distribution facilities required to attach new customers to the system and to deliver the additional volumes of natural gas required to meet the increased demand. During the year the extension of the existing high pressure gas transmission system from Durham to Owen Sound was completed to serve the rapidly expanding market in this northern area.

Property Account investment at the end of the 1967 fiscal year, after deducting the cost of plant retired from service, was $209,852,061, compared with $198,552,021 at the end of the previous year.

CAPITALIZATION

In January 1967 the Company issued $15,000,000 par value 7% Sinking Fund Debentures due January 5, 1987. The funds received from the sale of this issue were used to retire bank loans incurred to finance the Company's construction program and for other corporate purposes.

At March 31, 1967 the consolidated capitalization was as follows:

		% of total
Common shares	$ 29,719,621	
Accumulated earnings retained for use in the business	31,963,441	
Contributed surplus	378,000	
	62,061,062	35.0
Preference shares	19,690,000	11.1
	81,751,062	46.1
Funded debt (exclusive of portion to be retired within 12 months and carried on the balance sheet as a current liability)	95,569,000	53.9
Total capitalization	$177,320,062	100.0

EMPLOYEES

At March 31, 1967 the Company had 2,038 regular employees.

Employees' length of service	Number of employees	% of total
Under 5 years	604	29.6
5 to 10 years	588	28.9
10 to 15 years	316	15.5
15 to 20 years	208	10.2
20 to 30 years	193	9.5
30 or more years	129	6.3
Total at March 31, 1967	2,038	100.0

Employee training and management development are continuing programs to assure that the staff is kept aware of current improvements in gas equipment design and operation and of the most efficient methods available in the conduct of their assignments. During the past year, in-company management seminars covering many phases of the Company's operations were conducted for all supervisory personnel. Accident prevention programs are conducted throughout the year to train and encourage employees to work safely.

The Company maintains an Educational Aid Program to encourage employees to broaden and up-date their educational and vocational backgrounds outside of working hours. Upon successful completion of an approved course, the Company now reimburses the employee for 75% of the costs thereof.

During the year 41 employees, with an average of 33 years of service, retired from the Company.

GAS STORAGE

The Company is presently operating six underground gas storage pools having a combined total capacity of 76.4 billion cubic feet, of which 28.9 billion cubic feet are dedicated as a "cushion" to provide efficient operating pressures and the balance of 47.5 billion cubic feet is used to store the volumes of gas available for sale. These facilities enable the Company to send substantial volumes of gas to market during the heating seasons over and above daily volumes being

Natural gas is used in the manufacture of heavy equipment for the pulp-and-paper industry. This gas-fired furnace is fusing a protective coating to the surface of a "segmental knife holder". Such holders are components of large machines which cut logs into chips, as an initial step in the processing of wood pulp.


INTER-C

received from the pipeline suppliers, thus giving considerable assurance to its customers of a dependable year round gas supply.

During the fiscal year ended March 31, 1967, 34.0 billion cubic feet of gas were injected into storage and 27.3 billion cubic feet were withdrawn, including 2.2 billion cubic feet of gas originally in place when a pool was dedicated to storage use. At March 31, 1967 a total volume of 50.8 billion cubic feet was in storage.

A record for the volume of gas delivered in any one day was set on February 6, 1967 when 808.5 million cubic feet were sent to market, of which 723.9 million cubic feet, or 89%, were supplied from underground storage. The peak day delivery made during the previous fiscal year was 677.4 million cubic feet.

GAS SUPPLY

During the fiscal year ended March 31, 1967 a total of 98.0 billion cubic feet of gas was acquired by the Company exclusive of gas owned by, but transmitted and stored for, other companies. This is an increase of 15.5 billion cubic feet over the volume acquired in the 1966 fiscal year.

The sources of this gas during the 1967 fiscal year were as follows:

Purchased from Ontario producers; 10.6 billion cubic feet (1966, 8.3 billion cubic feet).

These increased purchases were due mainly to discoveries of additional local sources of supply placed under contract with the Company during the 1967 fiscal year. The Company stands ready to enter into gas purchase contracts for marketable volumes of gas discovered in southwestern Ontario within economic distance of its pipelines.

Purchased from Panhandle Eastern Pipe Line Company; 20.6 billion cubic feet (1966, 14.8 billion cubic feet).

The Company received the full volume of gas under contract with Panhandle Eastern for the 1967 fiscal year including 5.4 billion cubic feet under an emergency arrangement to make additional volumes of gas available in Ontario during the past heating season. These emergency imports were made available to other gas companies to lessen the impact of any possible gas shortages which might be experienced by those companies. The Company received a gas transmission tariff for this service.

Purchased from Trans-Canada Pipe Lines Limited; 68.0 billion cubic feet (1966, 55.5 billion cubic feet).

These purchases reflect the annual increases in volumes provided for in the contracts for sale and purchase of gas between the Company and Trans-Canada. They also include 4.0 billion cubic feet of the gas purchased on an emergency basis by the Company from Panhandle Eastern and made available to Trans-Canada to assist that company in meeting the gas requirements of its customers, including Union Gas, in eastern Canada.

GAS PURCHASED AND PRODUCED

	Volumes in thousands of cubic feet			
	Year to March 31, 1967	% of total	Year to March 31, 1966	% of total
Gas purchased from:				
Ontario producers	10,608,211	10.8	8,258,482	10.0
Panhandle Eastern*	15,243,777	15.6	14,768,360	17.9
Trans-Canada	67,970,852	69.3	55,524,410	67.3
Total purchased	93,822,840	95.7	78,551,252	95.2
Gas produced from Company wells	4,183,406	4.3	3,957,159	4.8
Total gas supply**	98,006,246	100.0	82,508,411	100.0

**Exclusive of 5,369,681 M.C.F. purchased on an emergency basis in 1967 fiscal year and made available to other gas companies.*
***Excluding gas transmitted and stored for other companies.*

Pacesetters '67, a stage show designed to capture the imagination of future homemakers, was presented to enthusiastic teenage audiences in the Company's major markets, early in 1967. Against a mod music background, the show dramatized the vital, diverse role of natural gas in the home, in modern living and in the world of fashion.

Residential consumption continues to be the major factor in the Company's over-all marketing picture. During the fiscal year just concluded, use of gas in the home accounted for almost half of the total revenue from gas sales.


PACESETTE
67

Produced from the Company's own wells; 4.2 billion cubic feet (1966, 4.0 billion cubic feet).

In recent years the Company has conducted natural gas exploration work, although on a reduced scale, in an effort to discover new sources of supply and additional gas storage areas. It is planned to continue such work to a limited degree during the fiscal year commenced April 1, 1967 pending reassessment of the Company's future natural gas exploration and development policies.

The constantly increasing volumes of gas sales and the number of enquiries being received for additional volumes of gas, particularly for industrial purposes, from present and prospective customers, indicate that the Company must continue its policy of reviewing its estimates of gas requirements for many years into the future. It must also continue to give consideration to and study of any possible sources of gas supply which may become available to it on an economically sound basis in order that its customers may be given all possible assurance that their natural gas requirements can be satisfied over a long term period.

UNITED FUEL INVESTMENTS, LIMITED

In the matter of the voluntary winding up of United Fuel Investments, Limited it was indicated in the Annual Report for the fiscal year ended March 31, 1966 that in its Judgment delivered August 17, 1965 the Ontario Court of Appeal denied the appeal of certain minority shareholders of United Fuel to upset the findings of the Ontario Courts on the manner in which the winding up of United Fuel should proceed. Later an application by the minority shareholders for leave to appeal to the Supreme Court of Canada was denied by that Court.

Since that time and pursuant to a directive of the Master of the Supreme Court of Ontario steps have been taken preliminary to the sale at public auction of the outstanding common shares of United Gas, all of which are owned by United Fuel, subject to a reserve bid to be fixed by the Master. Such a sale will permit a pro rata distribution to the holders of the common shares of United Fuel and the completion of the winding up of that company by the liquidator.

The Master recognized that Union Gas is entitled to bid for the shares of United Gas at the auction and when such auction is held that company proposes to so bid.

GENERAL

Mr. Frederick W. P. Jones, Professor, School of Business Administration, University of Western Ontario and a director of several Canadian organizations, was elected a member of the Board of Directors of Union Gas on April 13, 1967.

It is currently anticipated that the construction program for the fiscal year commenced April 1, 1967, amounting to approximately $20.5 million, will be financed from working capital, presently available and to be generated from operations, and from bank loans.

The Board of Directors gratefully acknowledges the support of all employees who have contributed much to the Company's progress in the past year.

A 28-mile section of 10-inch-diameter pipeline was constructed during the fall of 1966, to connect the Owen Sound market with the Company's main transmission system at Durham. In the past, Union Gas has served the Owen Sound area with natural gas supplied through an easterly connection with the facilities of The Consumers' Gas Company at Collingwood. Consumers', in turn, received the gas from the Trans-Canada pipeline system near Barrie. The Durham-Owen Sound extension was completed at a cost of $1.5 million.


UNION

CONSOLIDATED BALANCE SHEET

March 31, 1967
(*with comparative figures as at March 31, 1966*)

Union Gas Company of Canada, Limited (Incorporated under the laws of Ontario)
and its subsidiaries, United Fuel Investments, Limited and United Gas Limited

ASSETS	1967	1966
Properties:		
Distribution systems, transmission lines, gas wells and gathering lines, gas storage facilities, base pressure gas, land and buildings, etc.—at cost	$209,852,061	$198,552,021
Less accumulated depreciation	39,443,903	34,937,655
	170,408,158	163,614,366
Premiums paid on acquisition of subsidiary companies	1,741,233	1,741,233
	172,149,391	165,355,599
Current assets:		
Cash	572,935	1,271,944
Short term investments—at cost which is approximately market value	3,750,000	3,000,000
Accounts receivable	17,665,995	13,967,189
Inventories of merchandise, stores and spare equipment, valued at the lower of cost or market	2,418,473	2,302,549
Prepayments	160,608	123,622
Gas in underground storage, available for current sale—at cost	7,837,631	5,010,032
	32,405,642	25,675,336
Deferred and other assets:		
Funds on deposit with trustees for bondholders	599,222	325,815
Special refundable tax	584,298	—
Mortgages receivable	5,123,937	3,303,287
Balances to be amortized in future years—		
Natural gas conversion costs	64,733	167,933
Discount and expenses on issues of funded debt	1,067,881	1,062,314
Other deferred charges	50,298	69,020
	7,490,369	4,928,369
	$212,045,402	$195,959,304

On behalf of the Board:

David P. Rogers, *Director*

F. R. Palin, *Director*

LIABILITIES	1967	1966
Shareholders' equity:		
Capital stock (note 1)—		
Preference shares with a par value of $50 each:		
Authorized—393,800 cumulative redeemable shares		
Issued —166,600 5½% Series A	$ 8,330,000	$ 8,500,000
— 90,000 6% Series B	4,500,000	4,500,000
—137,200 5% Series C	6,860,000	7,000,000
Common shares without par value:		
Authorized—22,000,000 shares		
Issued —14,954,955 shares	29,719,621	29,719,621
	49,409,621	49,719,621
Contributed surplus	378,000	378,000
Accumulated earnings retained for use in the business (note 3)	31,963,441	28,247,669
	81,751,062	78,345,290
Interest of minority shareholders in United Fuel Investments, Limited, a subsidiary company (note 4)	7,838	6,764
Funded debt (note 2)	95,569,000	85,947,000
Deferred income taxes (note 5)	15,553,000	13,713,000
Current liabilities:		
Bank loan	—	1,000,000
Accounts payable and accrued charges	7,701,463	6,575,818
Dividend payable	1,009,459	872,372
Income and other taxes payable	3,852,428	4,886,337
Accrued interest on funded debt	1,223,152	1,020,723
Funded debt instalments due within twelve months	5,378,000	3,592,000
	19,164,502	17,947,250
	$212,045,402	$195,959,304

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the year ended March 31, 1967
(*with comparative figures for the 1966 year*)

Union Gas Company of Canada, Limited
and its subsidiaries, United Fuel Investments, Limited and United Gas Limited

CONSOLIDATED STATEMENT OF INCOME

	1967	1966
Operating revenue and other income:		
Gross revenue from gas sales	$77,404,076	$66,972,790
Other operating income	6,105,341	5,365,333
Investment income	257,186	80,947
	83,766,603	72,419,070
Operating expenses and interest:		
Cost of gas sent out	34,035,397	28,480,582
Other operating and maintenance costs exclusive of items shown separately below	18,218,833	16,593,357
Taxes other than income taxes	2,315,542	1,999,671
Depreciation and amortization of natural gas conversion costs (note 6)	5,810,771	5,318,534
Interest on funded and other debt including discount and expense amortized (less interest charged to construction—$96,693 in 1967; $255,640 in 1966)	5,586,034	4,652,300
	65,966,577	57,044,444
Profit before income taxes	17,800,026	15,374,626
Income taxes (note 5)	8,966,000	7,708,000
Net profit before minority interest	8,834,026	7,666,626
Less interest of minority shareholders on a pro rata basis in net profit of United Fuel Investments, Limited	1,074	1,024
Consolidated net profit for the year	$ 8,832,952	$ 7,665,602

CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS

	1967	1966
Balance at beginning of year	$28,247,669	$25,159,057
Add consolidated net profit for the year	8,832,952	7,665,602
	37,080,621	32,824,659
Deduct dividends declared:		
Preference shares (per annum)—		
Series A—$2.75 per share	462,842	467,500
Series B—$3.00 per share	270,000	270,000
Series C—$2.50 per share	346,500	350,000
	1,079,342	1,087,500
Common shares—		
$.27 per share in 1967 and the equivalent of $.23⅓ per share in 1966 (note 1)	4,037,838	3,489,490
	5,117,180	4,576,990
Balance at end of year	$31,963,441	$28,247,669

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended March 31, 1967
(*with comparative figures for the 1966 year*)

Union Gas Company of Canada, Limited
and its subsidiaries, United Fuel Investments, Limited and United Gas Limited

	1967	1966
Funds provided:		
Consolidated net profit for the year	$ 8,832,952	$ 7,665,602
Add amounts deducted in arriving at net profit, which did not involve an outlay of funds—		
Depreciation and amortization	6,266,600	5,721,314
Deferred income taxes	1,840,000	2,127,000
Total funds provided from operations	16,939,552	15,513,916
Funded debt issued	15,000,000	15,000,000
Refund of deposit with trustee for bondholders	—	778,078
Miscellaneous	15,897	4,763
	31,955,449	31,296,757
Funds applied:		
Net expenditure on properties	12,823,698	18,542,481
Retirement of funded debt	5,378,000	3,678,000
Dividends declared—common shares	4,037,838	3,489,490
—preference shares	1,079,342	1,087,500
Net advances on mortgages receivable	1,820,650	1,075,913
Special refundable tax	584,298	—
Purchase of preference shares for cancellation	310,000	—
Increase of deposit with trustee for bondholders	273,407	—
Funded debt issue costs	135,162	123,052
	26,442,395	27,996,436
Increase in working capital	5,513,054	3,300,321
Working capital at beginning of year	7,728,086	4,427,765
Working capital at end of year	$13,241,140	$ 7,728,086
Represented by:		
Current assets	$32,405,642	$25,675,336
Current liabilities	19,164,502	17,947,250
Working capital at end of year	$13,241,140	$ 7,728,086

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Capital stock

(a) During the year the company obtained Supplementary Letters Patent which:

(i) subdivided each of the issued and unissued common shares of the company without par value into three common shares without par value; and

(ii) increased the authorized common share capital of the company to 22,000,000 common shares without par value by the creation of an additional 4,000,000 common shares.

(b) The preference shares are redeemable as follows:
Series A—at $52.00 per share up to March 30, 1968 and thereafter at redemption prices reducing in progressive steps to $50.50 per share after March 30, 1976.
Series B—at $55.00 per share at any time.
Series C—at $52.50 per share up to March 30, 1969 and thereafter at redemption prices reducing in progressive steps to $50.50 per share after March 30, 1981.

Under the conditions attaching to the Series A and Series C preference shares, the company is committed

to purchase shares for cancellation if their market prices fall to par or below as follows:

Series A—in amounts up to $170,000 annually
Series C—in amounts up to $140,000 annually

As required by the Supplementary Letters Patent, a special appropriation of retained earnings is shown on the books of the company to reflect this commitment. In compliance with the above-mentioned conditions 3,400 Series A shares and 2,800 Series C shares were purchased for cancellation during the year ended March 31, 1967.

(c) Under a stock option plan for certain executive and other key employees, 180,000 of the authorized and unissued common shares without par value in the capital stock of the company are reserved and set aside for issue in accordance with the provisions of the plan. As at March 31, 1967, options had been granted to subscribe for and purchase 152,250 shares at a price of $10.33 per share. None of these options were exercised prior to March 31, 1967.

2. Funded debt

Details of this debt as at March 31, 1967 are as follows:

	Total outstanding	Deduct instalments due within twelve months, shown as a current liability	Net amount deferred 1967	Net amount deferred 1966
Union Gas Company of Canada, Limited:				
First mortgage and collateral trust bonds—				
4¾% sinking fund bonds, Series A, due March 1, 1968	$ 2,209,000	—	—	—
Less cash in hands of trustee for redemptions on April 1, 1967	209,000	—	—	—
	2,000,000	$2,000,000	—	$ 2,000,000
4¾% serial bonds, Series B, due December 1, 1967-1968	900,000	450,000	$ 450,000	900,000
5% sinking fund bonds, Series B. due December 1, 1977	8,847,000	153,000	8,694,000	8,847,000
5¼% sinking fund bonds, Series C, due January 15, 1978	15,000,000	1,000,000	14,000,000	15,000,000
	26,747,000	3,603,000	23,144,000	26,747,000
Debentures:				
5¾% sinking fund debentures, 1957 series, due January 15, 1975	5,600,000	350,000	5,250,000	5,600,000
5% serial debentures, 1958 series, due December 1, 1967-1968	650,000	325,000	325,000	650,000
5½% sinking fund debentures, 1958 series, due December 1, 1977	6,600,000	—	6,600,000	6,600,000
5¾% sinking fund debentures, 1961 series, due July 15, 1981	12,650,000	450,000	12,200,000	12,650,000
5½% serial debentures, 1963 series, due February 15, 1968-1971	1,600,000	400,000	1,200,000	1,600,000
5¾% sinking fund debentures, 1963 series, due August 15, 1983	12,000,000	—	12,000,000	12,000,000
5¾% serial debentures, 1965 series, due March 1, 1969-1973	2,000,000	—	2,000,000	2,000,000
5⅞% sinking fund debentures, 1965 series, due September 1, 1985	13,000,000	—	13,000,000	13,000,000
7% sinking fund debentures, 1967 series, due January 5, 1987	15,000,000	—	15,000,000	—
	69,100,000	1,525,000	67,575,000	54,100,000
United Gas Limited:				
First mortgage bonds—				
5¼% sinking fund bonds due October 1, 1977	5,100,000	250,000	4,850,000	5,100,000
Total funded debt	$100,947,000	$5,378,000	$95,569,000	$85,947,000

3. Accumulated earnings retained for use in the business

The trust deeds and indentures providing for the issue of the company's bonds and debentures contain certain restrictions regarding the amount that may be paid as dividends. At March 31, 1967 accumulated earnings retained for use in the business in the amount of $10,218,352 were free from limitation under the most stringent of these restrictions.

4. Interest of minority shareholders in United Fuel Investments, Limited

During the year ended March 31, 1964, an order directing that United Fuel Investments, Limited be wound up under the provisions of the Winding-up Act of Canada was affirmed in the Supreme Court of Canada. A permanent liquidator was appointed and the Master of the Supreme Court of Ontario was directed to supervise the winding up. Pending the completion of the liquidation of United Fuel, it is not possible to establish the amount that will be received by the minority shareholders. The minority interest at March 31, 1967 of 93 common shares, out of a total of 90,000 outstanding, has been calculated on the basis of the pro rata amount that would be received if book values were realized for the assets of United Fuel.

5. Deferred income taxes

As a result of claiming allowances for tax purposes for depreciation, amortization of natural gas conversion costs and construction overheads in excess of amounts charged in arriving at profit for the year, income taxes payable will be less than the current year's provision by $1,840,000 ($2,127,000 in 1966) and accordingly this amount is included in the balance sheet in the item "Deferred income taxes".

6. Depreciation

Total depreciation and amortization for the year ended March 31, 1967 amounted to $6,137,005 ($5,589,690 in 1966). Of this amount, $5,810,771 was charged directly as an operating expense and the remainder of $326,234 was allocated partly to other expense accounts and partly to property accounts.

7. Directors' and senior officers' remuneration

Direct remuneration of directors and senior officers totalled $239,812 during the year ended March 31, 1967.

8. Capital expenditures and commitments

Capital expenditures of approximately $20,500,000 have been authorized by the directors for the fiscal year ending March 31, 1968.

The company is committed to advance additional mortgage funds totalling $1,332,739 under its financial assistance plan for land developers and builders and has guaranteed bank loans and performance bonds totalling $737,633.

9. Pension plan liability

The company's pension plan was revised as of January 1, 1966.

The unfunded past service liabilities of the company and its subsidiaries are estimated by the company's consulting actuary to be $2,314,500 at March 31, 1967. The company is following a policy of funding the liability and charging the costs to operations over a period of fifteen years at an annual estimated cost of $226,000.

AUDITORS' REPORT

To the Shareholders of Union Gas Company of Canada, Limited:

We have examined the consolidated balance sheet of Union Gas Company of Canada, Limited and its subsidiaries, United Fuel Investments, Limited and United Gas Limited, as at March 31, 1967 and the consolidated statements of income, accumulated earnings retained for use in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned consolidated financial statements present fairly the financial position of the companies as at March 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

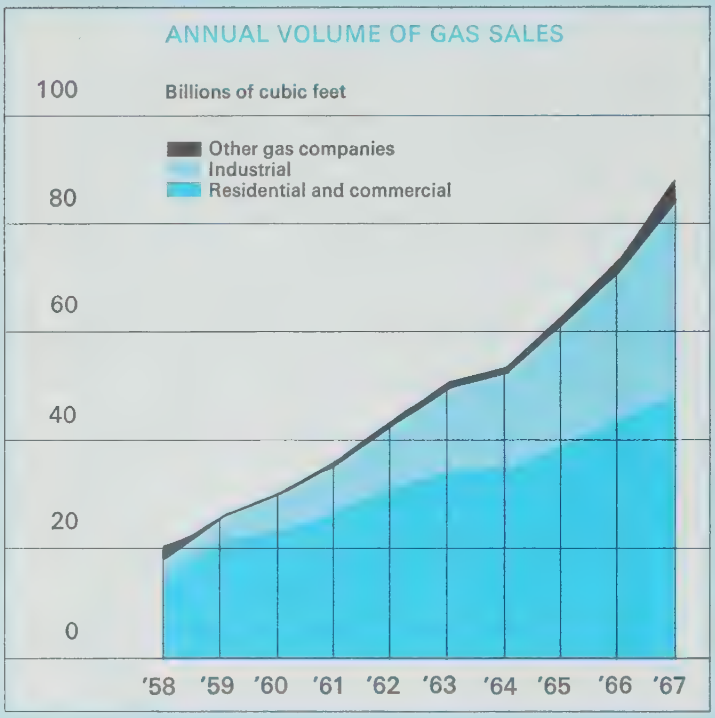
Chartered Accountants

Toronto, Canada, May 17, 1967.

FINANCIAL AND OPERATING STATISTICS–1958-1967

Fiscal years ended March 31

Union Gas Company of Canada, Limited and its subsidiaries, United Fuel Investments, Limited and United Gas Limited



	1967
Revenues, Expenses and Net Earnings	
Revenues:	
Gas sales	$ 77,404,076
Other income	6,362,527
Total revenue	83,766,603
Expenses:	
Cost of gas sent out	34,035,397
Operating and maintenance expenses	20,534,375
Depreciation and amortization of natural gas conversion costs	5,810,771
Interest on funded debt and bank loans	5,586,034
Total expenses	65,966,577
Profit before income taxes	17,800,026
Income taxes	8,966,000
Net profit before minority interest	8,834,026
Less: Minority shareholders' interest	1,074
Net profit	8,832,952
Preference share dividends	1,079,342
Net earnings applicable to common shares	$ 7,753,610
Earnings per common share (A)	51.8¢
Dividends declared per common share	27.0¢
Source and Application of Funds	
Source of funds:	
Net profit for year	$ 8,832,952
Depreciation and amortization	6,266,600
Deferred income taxes	1,840,000
Funded debt issues	15,000,000
Common share issues	—
Preference share issues	—
Refund of deposit with trustee for bondholders	—
Redemption of Coke Company bonds	—
Dividends from Coke Company	—
Sale of Coke Company shares	—
Total	$ 31,939,552
Application of funds:	
Net expenditure on Property Account	$ 12,823,698
Dividends declared—common shares	4,037,838
Dividends declared—preference shares	1,079,342
Retirement of funded debt	5,378,000
Funded debt and stock issue expense	135,162
Net advances on mortgages receivable	1,820,650
Special refundable tax	584,298
Purchase of preference shares for cancellation	310,000
Redemption of United Fuel preference shares	—
Cash consideration to acquire preference shares of United Fuel	—
Natural gas conversion costs	—
Miscellaneous items	257,510
Increase or decrease (–) in working capital	5,513,054
Total	$ 31,939,552
Working capital, end of year	$ 13,241,140

Note: (A) On basis of number of shares outstanding at year end.

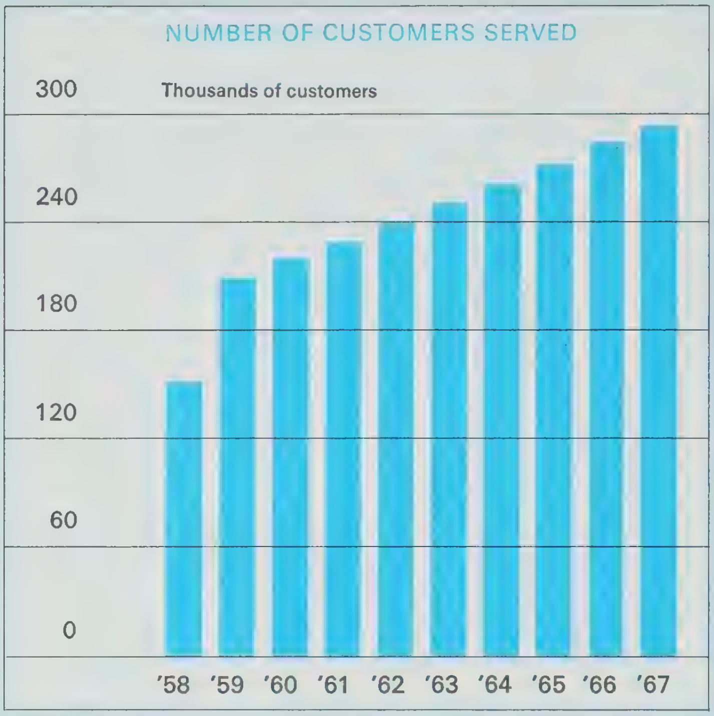
1966	1965	1964	1963	1962	1961	1960	1959	1958
$ 66,972,790	$ 59,037,639	$ 50,834,072	$ 48,613,568	$ 42,930,596	$ 36,689,485	$ 33,021,305	$ 28,694,935	$ 21,023,427
5,446,280	5,000,236	4,715,376	3,864,576	3,599,719	2,979,333	2,628,205	2,201,214	825,590
72,419,070	64,037,875	55,549,448	52,478,144	46,530,315	39,668,818	35,649,510	30,896,149	21,849,017
28,480,582	24,215,010	20,176,628	19,002,182	15,687,996	12,453,555	11,358,694	9,683,532	8,623,954
18,593,028	16,797,705	15,935,916	14,982,174	14,132,250	12,331,336	11,279,865	9,253,594	5,840,551
5,318,534	4,800,098	4,353,987	4,129,552	3,820,988	3,448,841	3,137,807	2,931,225	1,367,067
4,652,300	4,386,216	4,276,692	4,079,110	3,704,486	3,315,394	3,252,177	3,141,045	838,687
57,044,444	50,199,029	44,743,223	42,193,018	37,345,720	31,549,126	29,028,543	25,009,396	16,670,259
15,374,626	13,838,846	10,806,225	10,285,126	9,184,595	8,119,692	6,620,967	5,886,753	5,178,758
7,708,000	7,273,000	5,531,000	5,299,000	4,692,000	4,097,000	3,347,000	3,077,000	2,581,000
7,666,626	6,565,846	5,275,225	4,986,126	4,492,595	4,022,692	3,273,967	2,809,753	2,597,758
1,024	918	7,498	42,411	28,621	106,223	245,046	129,135	126,562
7,665,602	6,564,928	5,267,727	4,943,715	4,463,974	3,916,469	3,028,921	2,680,618	2,471,196
1,087,500	948,801	737,500	737,500	737,500	644,458	467,500	57,800	—
$ 6,578,102	$ 5,616,127	$ 4,530,227	$ 4,206,215	$ 3,726,474	$ 3,272,011	$ 2,561,421	$ 2,622,818	$ 2,471,196
44.0¢	37.6¢	33.3¢	30.9¢	27.4¢	24.1¢	19.3¢	19.8¢	18.7¢
23.3¢	20.8¢	20.0¢	16.7¢	16.7¢	15.8¢	12.7¢	10.7¢	10.7¢

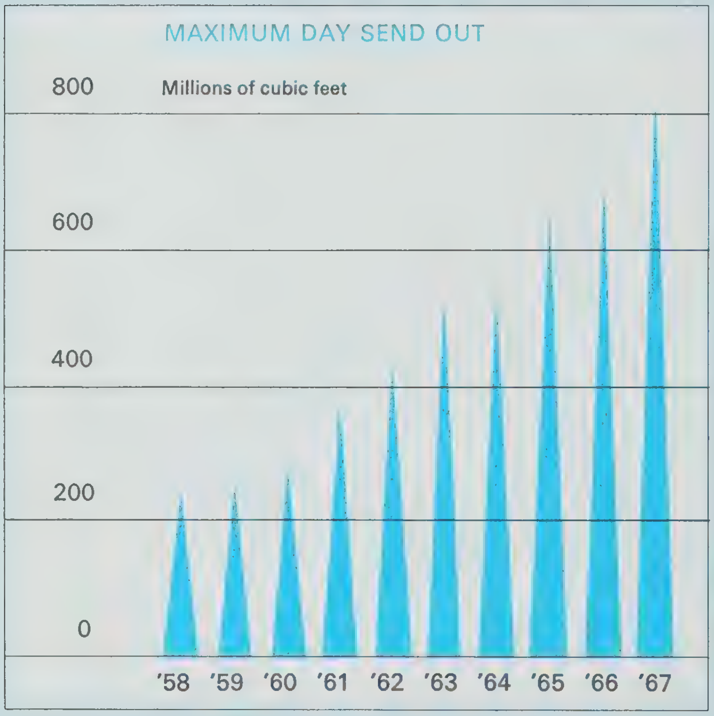
1966	1965	1964	1963	1962	1961	1960	1959	1958
$ 7,665,602	$ 6,564,928	$ 5,267,727	$ 4,943,715	$ 4,463,974	$ 3,916,469	$ 3,028,921	$ 2,680,618	$ 2,471,196
5,721,314	5,177,090	4,735,768	4,491,941	4,175,717	3,769,208	3,423,149	3,079,663	1,463,121
2,127,000	2,852,000	1,617,000	1,202,000	1,185,300	1,086,961	1,186,723	1,360,619	759,365
15,000,000	—	14,000,000	—	14,000,000	—	—	28,000,000	20,000,000
—	7,268,755	—	—	—	—	—	—	9,774,511
—	7,000,000	—	—	—	—	—	8,500,000	—
778,078	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	925,000	150,000
—	—	—	—	—	—	1,079,910	650,000	900,000
—	—	—	—	—	—	3,100,716	—	—
$ 31,291,994	$ 28,862,773	$ 25,620,495	$ 10,637,656	$ 23,824,991	$ 8,772,638	$ 11,819,419	$ 45,195,900	$ 35,518,193

1966	1965	1964	1963	1962	1961	1960	1959	1958
$ 18,542,481	$ 21,103,253	$ 15,655,974	$ 10,935,614	$ 13,199,627	$ 11,984,187	$ 13,255,811	$ 32,012,431	$ 29,125,282
3,489,490	3,047,639	2,719,083	2,265,878	2,265,878	2,140,779	1,677,225	1,412,400	1,411,503
1,087,500	948,801	737,500	737,500	737,500	644,458	467,500	57,800	—
3,678,000	3,125,000	3,175,000	2,418,000	2,332,000	2,221,000	1,304,000	2,690,000	450,000
123,052	—	172,490	—	220,606	—	—	1,084,179	594,586
1,075,913	580,143	496,201	226,626	357,842	526,248	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	865,170	—	—	—	—	—	—
—	—	—	—	—	555,221	—	—	—
—	—	—	—	—	—	—	205,892	657,077
(–)4,763	387,290	108,165	192,353	65,150	(–)92,366	311,237	164,356	(–)244,191
3,300,321	(–)329,353	1,690,912	(–)6,138,315	4,646,388	(–)9,206,889	(–)5,196,354	7,568,842	3,523,936
$ 31,291,994	$ 28,862,773	$ 25,620,495	$ 10,637,656	$ 23,824,991	$ 8,772,638	$ 11,819,419	$ 45,195,900	$ 35,518,193
$ 7,728,086	$ 4,427,765	$ 4,757,118	$ 3,066,206	$ 9,204,521	$ 4,558,133	$ 13,765,022	$ 18,961,376	$ 11,392,534

STATISTICS–CONTINUED

Fiscal years ended March 31
(M.C.F. means thousand cubic feet)

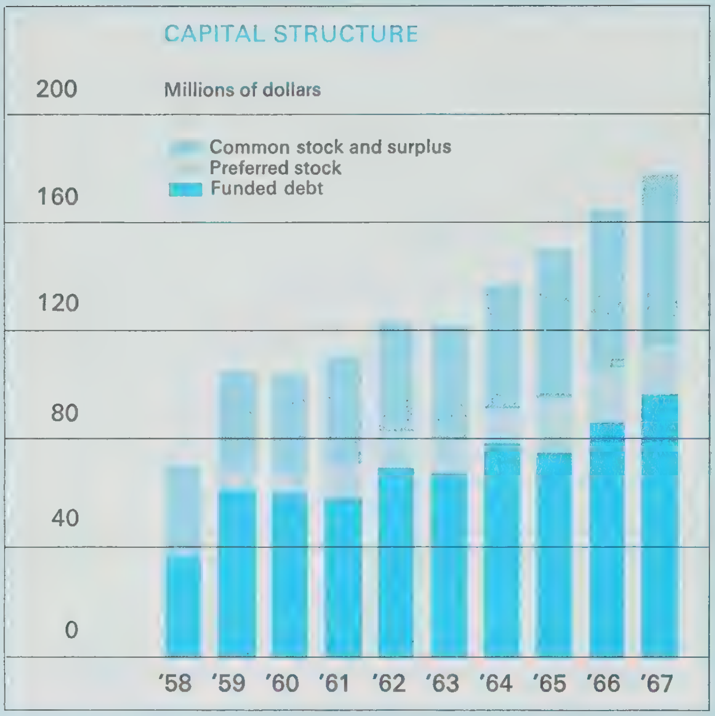




	1967
Customers—(end of year)	
Residential	261,610
Commercial	28,364
Industrial	2,668
Other utilities	9
Total	292,651
Gas Sales — M.C.F.	
Residential	33,455,696
Commercial	14,714,311
Industrial	35,220,133
Other utilities	2,374,187
Total	85,764,327
Gas Sales Revenue	
Residential	$ 38,126,203
Commercial	14,813,126
Industrial	23,061,495
Other utilities	1,403,252
Total	$ 77,404,076
Average Gas Use per Customer — M.C.F.	
Residential	130.8
Commercial	532.4
Gas Balance — M.C.F.	
Gas produced from Company wells	4,183,406
Gas purchased:	
Ontario sources	10,608,211
Other sources	83,214,629
Gas received under storage, exchange, etc., contracts, less gas purchased in place	21,738,180
Total all gas	119,744,426
Gas into storage	34,026,625
Gas out of storage	25,121,068
Net gas into or out of (–) storage	8,905,557
Total gas sent out	110,838,869
Gas sales	85,764,327
Gas delivered under storage, exchange, etc., contracts	22,254,400
Company use	878,046
Unbilled, unaccounted for, etc.	1,942,096
	110,838,869
Maximum day send-out — M.C.F.	808,477
Gas out of storage on maximum day — M.C.F.	723,916
Degree day deficiency	7,464

1966	1965	1964	1963	1962	1961	1960	1959	1958
252,725	243,661	234,310	223,876	215,732	206,439	197,331	189,732	138,473
27,405	26,222	24,751	23,438	22,415	21,823	20,195	17,189	12,528
2,453	2,305	2,084	1,920	1,830	1,694	1,476	1,089	861
9	9	9	8	6	6	6	6	2
282,592	272,197	261,154	249,242	239,983	229,962	219,008	208,016	151,864
30,604,253	28,545,692	25,101,125	25,423,992	23,246,981	20,368,705	18,813,254	16,996,075	11,702,895
12,322,125	10,476,853	8,728,979	8,205,232	7,246,354	6,077,538	4,987,939	4,056,962	2,736,311
27,136,472	21,048,268	17,721,608	15,278,452	11,188,247	7,654,927	6,428,278	4,802,210	3,526,611
2,053,194	1,762,278	1,316,381	1,038,328	740,633	597,577	515,748	424,969	2,393,605
72,116,044	61,833,091	52,868,093	49,946,004	42,422,215	34,698,747	30,745,219	26,280,216	20,359,422
$ 35,002,846	$ 32,669,726	$ 28,863,627	$ 28,944,876	$ 26,633,367	$ 23,648,798	$ 21,979,261	$ 19,910,653	$ 13,523,795
12,534,636	10,764,410	9,032,244	8,478,959	7,562,017	6,416,318	5,293,406	4,329,826	2,981,630
18,234,406	14,589,874	12,160,839	10,577,135	8,250,374	6,219,459	5,395,167	4,175,947	3,256,755
1,200,902	1,013,629	777,362	612,598	484,838	404,910	353,471	278,509	1,261,247
$ 66,972,790	$ 59,037,639	$ 50,834,072	$ 48,613,568	$ 42,930,596	$ 36,689,485	$ 33,021,305	$ 28,694,935	$ 21,023,427
124.1	120.0	110.2	116.2	110.7	101.2	97.3	94.4	88.9
462.7	415.8	365.0	361.8	331.4	291.1	276.3	251.6	230.1
3,957,159	3,882,108	4,521,606	5,312,239	4,475,060	4,747,686	4,067,627	3,951,231	1,180,700
8,258,482	8,446,415	9,701,356	9,978,607	10,255,928	12,101,444	12,087,079	11,838,424	11,690,568
70,292,770	50,674,950	42,139,934	32,457,738	28,537,448	21,965,533	16,856,805	11,599,724	12,527,463
16,689,068	13,712,245	13,518,523	9,550,084	11,454,175	5,948,424	5,959,155	5,025,300	—
99,197,479	76,715,718	69,881,419	57,298,668	54,722,611	44,763,087	38,970,666	32,414,679	25,398,731
28,171,182	19,457,311	25,981,740	21,251,681	19,512,973	16,887,811	10,812,260	7,770,308	8,022,283
18,233,082	23,892,755	23,172,547	25,763,637	18,581,906	15,228,834	8,939,636	11,034,408	5,458,074
9,938,100	(–)4,435,444	2,809,193	(–)4,511,956	931,067	1,658,977	1,872,624	(–)3,264,100	2,564,209
89,259,379	81,151,162	67,072,226	61,810,624	53,791,544	43,104,110	37,098,042	35,678,779	22,834,522
72,116,044	61,833,091	52,868,093	49,946,004	42,422,215	34,698,747	30,745,219	26,280,216	20,359,422
14,873,870	16,259,364	11,134,857	9,805,057	10,080,636	6,187,452	3,623,969	6,398,798	1,074,791
760,983	994,728	662,822	529,508	470,085	461,216	465,740	459,262	432,552
1,508,482	2,063,979	2,406,454	1,530,055	818,608	1,756,695	2,263,114	2,540,503	967,757
89,259,379	81,151,162	67,072,226	61,810,624	53,791,544	43,104,110	37,098,042	35,678,779	22,834,522
677,355	628,500	526,357	512,237	412,360	358,436	264,504	244,948	224,996
527,502	547,080	386,138	411,324	301,897	211,808	145,434	176,598	160,128
7,198	7,328	6,967	7,512	7,235	6,889	7,055	7,374	6,824

Fiscal years ended March 31



	1967
Condensed Consolidated Balance Sheet	
Assets:	
Property Account	$209,852,061
Less accumulated depreciation	39,443,903
	170,408,158
Premium paid on acquisition of subsidiary companies	1,741,233
Investment in Coke Company	—
Current assets	32,405,642
Deferred and other assets	7,490,369
Total	$212,045,402
Liabilities:	
Shareholders' equity—	
Preference shares	$ 19,690,000
Common shares	29,719,621
Retained earnings	31,963,441
Contributed surplus	378,000
Total	81,751,062
Minority shareholders' interest	7,838
Funded debt	95,569,000
Deferred income taxes	15,553,000
Deferred credit	—
Current liabilities	19,164,502
Total	$212,045,402
Equity Per Common Share	
No par value common shares outstanding	14,954,955
Equity per share	$ 4.15
Property Account	
Gross book value beginning of year	$198,552,021
Additions:	
Plant acquisitions and additions	10,420,615
Plant replacements	2,534,973
Gross additions and replacements	12,955,588
Retirements:	
Gross value of plant retired	1,655,548
Net additions to Property Account	11,300,040
Gross book value end of year	$209,852,061
Miles of pipeline	
Gathering and storage lines	627
Transmission lines	1,630
Distribution lines	5,240
Total	7,497

1966	1965	1964	1963	1962	1961	1960	1959	1958
$198,552,021	$181,513,021	$161,847,643	$147,701,789	$138,534,260	$127,419,000	$117,661,350	$105,770,057	$ 74,319,981
34,937,655	30,958,546	27,457,734	24,486,010	22,002,825	20,159,539	18,942,544	17,081,007	14,667,597
163,614,366	150,554,475	134,389,909	123,215,779	116,531,435	107,259,461	98,718,806	88,689,050	59,652,384
1,741,233	1,741,233	1,741,233	1,741,233	1,741,233	1,741,233	1,547,949	1,547,949	1,547,949
—	—	—	—	—	—	—	4,554,350	6,044,484
25,675,336	20,257,463	20,483,633	16,173,008	19,774,223	14,245,404	21,803,307	24,752,594	20,398,801
4,928,369	4,749,945	4,019,997	3,524,587	3,313,426	3,203,931	3,005,507	3,372,273	3,721,996
$195,959,304	$177,303,116	$160,634,772	$144,654,607	$141,360,317	$126,450,029	$125,075,569	$122,916,216	$ 91,365,614
$ 20,000,000	$ 20,000,000	$ 13,000,000	$ 13,000,000	$ 13,000,000	$ 13,000,000	$ 8,500,000	$ 8,500,000	$ —
29,719,621	29,719,621	22,450,866	22,450,866	22,450,866	22,450,866	20,938,286	20,938,286	20,938,286
28,247,669	25,159,057	22,590,569	20,307,350	18,367,013	16,906,417	15,549,811	14,854,156	13,954,481
378,000	378,000	378,000	378,000	378,000	378,000	—	—	—
78,345,290	75,256,678	58,419,435	56,136,216	54,195,879	52,735,283	44,988,097	44,292,442	34,892,767
6,764	5,740	4,822	1,369,589	1,336,736	1,317,673	8,061,771	8,278,030	8,375,184
85,947,000	74,625,000	77,750,000	66,925,000	69,343,000	57,675,000	59,896,000	61,200,000	35,890,000
13,713,000	11,586,000	8,734,000	7,117,000	5,915,000	4,729,700	3,642,739	2,456,015	1,095,396
—	—	—	—	—	305,102	448,677	898,511	2,106,000
17,947,250	15,829,698	15,726,515	13,106,802	10,569,702	9,687,271	8,038,285	5,791,218	9,006,267
$195,959,304	$177,303,116	$160,634,772	$144,654,607	$141,360,317	$126,450,029	$125,075,569	$122,916,216	$ 91,365,614
14,954,955	14,954,955	13,595,415	13,595,415	13,595,415	13,595,415	13,241,250	13,241,250	13,241,250
$ 3.90	$ 3.69	$ 3.34	$ 3.17	$ 3.03	$ 2.92	$ 2.76	$ 2.70	$ 2.64
$181,513,021	$161,847,643	$147,701,789	$138,534,260	$127,419,000	$117,661,350	$105,770,057	$ 74,319,981	$ 45,766,481
15,322,651	18,569,081	12,792,161	7,123,335	9,004,302	9,247,083	11,781,318	30,967,931	28,430,429
3,386,464	2,580,024	2,966,755	3,876,682	4,498,114	3,037,484	1,532,157	1,230,885	793,729
18,709,115	21,149,105	15,758,916	11,000,017	13,502,416	12,284,567	13,313,475	32,198,816	29,224,158
1,670,115	1,483,727	1,613,062	1,832,488	2,387,156	2,526,917	1,422,182	748,740	670,658
17,039,000	19,665,378	14,145,854	9,167,529	11,115,260	9,757,650	11,891,293	31,450,076	28,553,500
$198,552,021	$181,513,021	$161,847,643	$147,701,789	$138,534,260	$127,419,000	$117,661,350	$105,770,057	$ 74,319,981
627	642	663	685	702	717	740	761	793
1,592	1,560	1,501	1,403	1,401	1,369	1,350	1,298	1,175
5,061	4,846	4,644	4,303	4,117	3,804	3,618	3,359	2,917
7,280	7,048	6,808	6,391	6,220	5,890	5,708	5,418	4,885

Transfer Agents

Preference Shares

5½% Series A
Canada Permanent Trust Company, Toronto, Montreal, Winnipeg and Vancouver.

6% Series B
Eastern & Chartered Trust Company, Toronto and Montreal.

5% Series C
Eastern & Chartered Trust Company, Toronto, Montreal and Winnipeg.

Common Shares

Canada Permanent Trust Company, 253 Bay Street, Toronto 1, Ontario.
The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York, N.Y. 10015.

Registrars

Preference Shares

5½% Series A
Canada Permanent Trust Company, Toronto, Montreal, Winnipeg and Vancouver.

6% Series B
Eastern & Chartered Trust Company, Toronto and Montreal.

5% Series C
Eastern & Chartered Trust Company, Toronto, Montreal and Winnipeg.

Common Shares

Crown Trust Company, 320 Bay Street, Toronto 1, Ontario.
Chemical Bank New York Trust Company, 20 Pine Street, New York, N.Y. 10015.

Dividend Disbursing Agents

Preference Shares

5½% Series A
Canada Permanent Trust Company, 253 Bay Street, Toronto 1, Ontario.

6% Series B and
5% Series C
Eastern & Chartered Trust Company, 1901 Yonge Street, Toronto 7, Ontario.

Common Shares

Canada Permanent Trust Company, 253 Bay Street, Toronto 1, Ontario.

Trustees for Bond and Debenture Issues

First Mortgage Bonds

Canada Permanent Trust Company, 253 Bay Street, Toronto 1, Ontario.

Debentures: 1957, 1958 and 1961 Series

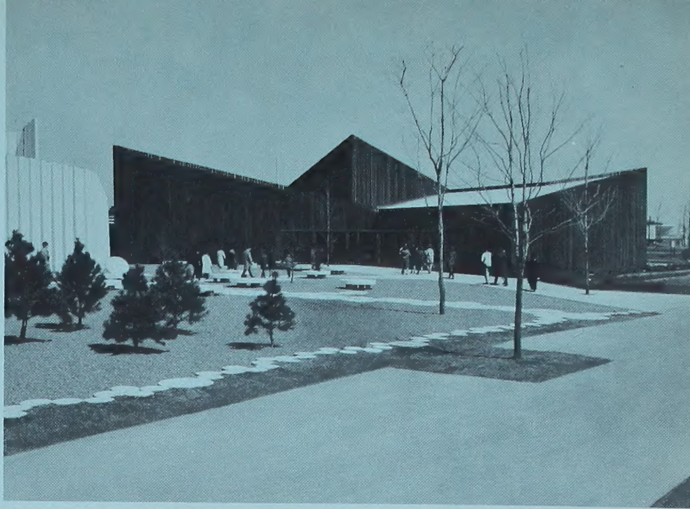
Canada Permanent Trust Company, 253 Bay Street, Toronto 1, Ontario.

Debentures: 1963, 1965 and 1967 Series

Eastern & Chartered Trust Company, 1901 Yonge Street, Toronto 7, Ontario.

Printed in Canada by Southam·Murray

SYSTEM MAP ▶



Gas Hospitality Pavilion: Headquarters for women's organizations holding meetings at the Fair.

Canada's natural gas industry well-represented at expo67

A Natural Gas Hospitality Pavilion—co-sponsored by Union Gas and several other companies—is strategically located on Cité du Havre, near the main entrance to Expo 67. Also, natural gas itself is being used to supply 89 per cent of the exhibition's total fuel requirement.

The Gas Pavilion—which conveys the natural gas story through a colorful series of illustrated, triangular panels—serves as the centre of women's activities at the fair. Already, more than 300 women's groups have booked facilities for meetings and luncheons.

The Pavilion also provides accommodation for fair-goers who are looking for a place to sit and relax—a place where they can collect their thoughts and catch their breath before starting on another round of sight-seeing.

Natural gas is very much in evidence at Expo: an "eternal flame" graces Expo's Place des Nations; an array of flares draws attention to Canada's energy court; a single gas flame adds dramatic effect to a highly-stylized derrick at the Austrian Pavilion; and individual torches stand "sentry duty" at various other prominent locations.

Of particular significance, natural gas was selected for 96 per cent of the cooking, 90 per cent of the heating and 82 per cent of the water heating requirements at the fair.

The ultra-modern Chatelaine Model Home is almost completely gas-equipped, with a range, furnace, water heater, dryer, incinerator, fireplace, pool heater, outdoor barbecue and patio lights.

The gas companies participating in sponsorship of the Gas Pavilion include: Trans-Canada Pipe Lines Limited (the major sponsor), The Consumers' Gas Company, Northern and Central Gas Company Limited, Alberta and Southern Gas Company Limited, Canadian Western Natural Gas Company Limited, Northwestern Utilities Limited and, of course, Union Gas.


Southwestern Ontario
Showing facilities of
Union Gas Company of Canada, Limited
and United Gas Limited
as at March 31, 1967
Pipeline systems
Union Gas Company of Canada, Limited
United Gas Limited
Proposed pipelines are shown as broken lines in the appropriate color
Major compressor stations
Gas storage fields of the Company
Portion of gas transmission facilities of Trans-Canada Pipe Lines Limited and The Consumers' Gas Company
LAKE HURON
GEORGIAN BAY
LAKE SIMCOE
LAKE ST. CLAIR
LAKE ERIE
LAKE ONTARIO
STATE OF MICHIGAN
STATE OF NEW YORK
DETROIT
PORT HURON
SARNIA
Courtright
Petrolia
Watford
Sombra
Pt. Lambton
Dawn
Wallaceburg
Alvinston
Strathroy
Ilderton
St. Marys
Dresden
Glencoe
Mt. Brydges
Lambeth
LONDON
WOODSTOCK
Ingersoll
STRATFORD
New Hamburg
WATERLOO
KITCHENER
GUELPH
Hespeler
Preston
GALT
Paris
BRANTFORD
WINDSOR
Belle River
Amherstburg
Essex
Cottam
Harrow
Kingsville
Leamington
Wheatley
Port Alma
Tilbury
Merlin
CHATHAM
Thamesville
Blenheim
Ridgetown
Rodney
Dutton
ST. THOMAS
Port Stanley
Tillsonburg
Norwich
Delhi
Waterford
Hagersville
Simcoe
Jarvis
Port Dover
St. Williams
Port Royal
Caledonia
Cayuga
Dunnville
Port Maitland
Ancaster
Dundas
HAMILTON
Stoney Creek
BURLINGTON
OAKVILLE
Milton
Acton
Georgetown
Trafalgar Station
TORONTO
ST. CATHARINES
Lewiston
NIAGARA FALLS
WELLAND
PORT COLBORNE
Fort Erie
Grand Bend
Goderich
Clinton
Seaforth
Mitchell
Elmira
Elora
Fergus
Drayton
Arthur
Listowel
Palmerston
Harriston
Mount Forest
Durham
Walkerton
Hanover
Port Elgin
OWEN SOUND
Meaford
Thornbury
Collingwood
Stayner
Midland
Elmvale
ORILLIA
BARRIE
Alliston
Shelburne
Orangeville
Newmarket

UNION GAS

ANNUAL REPORT
1967